

The Director



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Dear Professor Goldman,

I read and enjoyed your article on "Oil and Credibility" in the 28 April edition of The New York Times. By now you will have received your copies of two CIA studies which have been released on this question.

Being new as Director of the CIA, I am most anxious to insure our credibility. In part this comes from the way we do our business; in part it comes from the substance of the work we produce. Your article indicates some criticism on the latter score. I would be most interested in your detailed points of criticism once you have had a chance to read the studies.

Your article and a number of others that have appeared in the media tend to focus on the energy reserve base. From what I understand of our analysts' view, they do not see any major increases in Soviet oil production from new fields no matter how many barrels of oil are buried somewhere and under Soviet control, and we agree they are considerable. As detailed in our report on the prospects for Soviet oil, the USSR's limited drilling capacity is a major factor in this conclusion. Hence, we do not concur with your point that the fact that the Soviets have large oil reserves means that they can make their target for 1980 or, in fact, avoid a downturn in production during the next several years. Incidentally, taking definitional differences into account, our analysts think it is necessary to scale down the 81 billion barrels of reserves you cite to make it comparable with proved reserve figures for the United States.

I would agree with you that should the Soviet Union turn to a net importer of oil rather than an exporter, they will have very serious problems with hard currency earnings. In fact, it is almost inconceivable that they could finance this level of imports, and they will no doubt go to great lengths to avoid doing so. Our study was not intended to predict what the Soviets would in fact do, simply to describe the magnitude of the problem that the USSR and Eastern Europe together will face by 1985 if the trends now in train continue. This is much the same approach we used in the 1985 worldwide energy paper.

We are now in the process of analyzing the options available to the Soviets to conserve energy and to reduce import demand. Hopefully, an unclassified paper will be available within a month or so. I will send you a copy at that time and look forward to any comments you may care to offer.

Yours sincerely,

/s/ Stansfield Turner

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